CORPORATE GOVERNANCE DEVELOPMENT FRAMEWORK

SME GOVERNANCE ASSESSMENT TOOL

for investors

Introduction to SME Governance Assessment Tool

The signatories of Corporate Governance Development Framework (CGDF) have over the past years worked closely together on improving Corporate Governance (CG) in their investee companies and exchanged ideas on how to integrate CG in their due diligence process. These efforts initially focused on larger companies and investments above US$10 million, for which a set of assessment tools and checklists was developed. However, the CGDF signatories realized, that for smaller investments and less sophisticated companies, there is a need for a simpler tool. Therefore, this SME Governance Tool was developed.

Why is SME Governance Important?

Well-governed SMEs are associated with lower risk and higher returns for investors, and can be expected to operate more effectively and efficiently.

Good SME governance practices reduce opportunities for abuse of minority shareholders, thus building confidence in the company and trust among providers of finance. Since good governance minimizes ‘rent-seeking’ by managers or controlling shareholders, investors can entrust their capital with a greater sense of security and confidence. This reduction in investment risk is complemented by improved operations, which come from better information flows, a more rigorous strategic decision-making, and ultimately contribute to better performance. Good governance practices also help overcoming “growing pains” of fast-developing SMEs - formal structures and processes help dealing with such challenges as dependence on key persons, informality and lack of discipline.

Evidence indicates that well-governed companies outperform their peers and provide a higher long-term return on investment. It follows that investors in SMEs, including private equity, DFIs, banks and non-banking financial institutions, can improve investment decision making and achieve better over-all returns by taking into account the quality of governance practices of their investee companies. Achieving this requires a better understanding of the governance-related risks particular to smaller firms and where feasible engaging with SMEs to adopt better governance practices.

Purpose of the Tool

This Assessment Tool was developed for use by equity and debt investors during the due diligence process when considering investment in an SME. It serves as a guidance for project teams in analysing risks related to governance and identifying suitable mitigating factors. It provides a structured and effective framework for project teams to consider how improving governance can contribute to the financial and developmental goals of their organization.

The analysis conducted by project teams and the outputs generated through the application of the Tool will help set the direction of the investor engagement in helping the investee to “grow into governance”. This can include: (1) designing a Governance Action Plan; (2) selection and special roles of investor board member nominees; (3) periodic evaluation and reporting on progress of the investment. The Tool can also be shared with potential investees for self-assessment and benchmarking.

Structure and content of the Tool

The structure and content of the Tool is based on a variety of sources, including the DFI Corporate Governance Development Framework, SME Assessment Tools of other investors, international best practice standards, and extensive experience of DFI Working Group participating organizations in governance of their portfolio companies.

The Tool is structured around key governance components, divided into five sections:

A. Commitment to Good Governance
B. Board and Decision Making
C. Control Environment and Processes
D. Transparency and Disclosure
E. Shareholders' Role

Each section includes questions and brief explanatory notes to help project teams conduct effective interviews with potential investees. Each section includes a set of basic questions ("Basic Level"), and additional questions for companies demonstrating more sophisticated governance practices ("Advanced Level"). The last section, Shareholders' rights, also includes questions applicable to family-owned businesses.

Integrating the Tool throughout the investment process

The Tool is intended to form an integral part of the investment process - project teams should think about how corporate governance can potentially impact their investment objectives. They may decide to include particular governance issues in discussions and negotiation around the deal structure and related terms.

It is important to note that the Tool is designed to help identify key risks and existing shortcomings in SME governance ("red flags"), but not with the objective of creating "deal killers". Rather, application of the Tool should enable project teams to engage with investee companies on key governance issues sooner rather than later, allowing for sufficient time to reach creative solutions that would be incorporated into the structure of the investment and/or a CG Action Plan.

Support, feedback and revision

This Tool is seen as a "living document". Users are encouraged to adapt it to the unique nature of their portfolio and investment process. The Tool can be amended to reflect each user's own experience in the governance of their portfolio companies as shareholder, investor, and board member. The experience of project teams in application of the Tool will test the value addition to the investment process and generate critical feedback for improving its content and structure. Integrating corporate governance tools into the investment processes has proven to be an iterative process at other DFIs.

SME GOVERNANCE ASSESSMENT TOOL

	Questions	**Response**	**Explanation**
A1.	**Commitment/Basic level**		
A1.1	Are the basic formalities in place? • Board of Directors • Annual Shareholders' Meeting • Shareholders identified and recorded • Charter or Articles of Incorporation	Yes ☐ No ☐ Yes ☐ No ☐ Yes ☐ No ☐ Yes ☐ No ☐ [If No, explain]	The basic formalities need to be in place based on legislation. They are also needed in order to make the administration of the company in a systematic way possible. The Board of Directors is the key governing body of any company with responsibility over strategic guidance and supervision over senior management. The Board is also responsible for ensuring the company's compliance with the law.
A1.2	Is there a clear division of responsibilities and authorities between management and the Board?	Yes ☐ No ☐ [If No, explain]	Organizing the company in a way that is appropriate considering the business and the size of the company is one of the tasks of the promoter (the founding shareholder) at the initial stage. However, later on, it becomes the Board's responsibility to create the necessary controls and structures for the company, ensure their adequacy and make changes commensurate with the company's development. The Board may always represent the company but often it is practical to delegate some responsibilities to the management. The Board should set the strategy of the company and oversee the management performance, but it is not efficient to be involved in everyday management decisions.
A1.3	Are the core functions in the company identified (accounting, legal, admin, IT)?	Yes ☐ No ☐ [If No, explain]	The need for different core functions depends on the size and stage of the company. The promoter and the Board need to make sure the necessary functions exist.
A1.4	Does the company have documented strategic plans and budgets (1-3 years)?	Yes ☐ No ☐ [If Yes, explain]	Plans and budgets are needed in order to make the right decisions about future actions and to be able to control the operations. It is important to understand the process (preferably formal) for monitoring performance against and revision of the business plans. The plan is essential to align stakeholders internally and externally, and is a crucial element in attracting investors or seeking external finance.
A1.5	Is developing governance structures somebody's responsibility?	Yes ☐ No ☐ [If Yes, explain]	If responsibilities are not clear, development of governance structures might be sporadic and most important issues may not get enough attention. Assigning responsibilities to a designated person reduces overlaps and ensures that governance framework is developed in a systematic and coherent way.

	Questions	Response	Explanation
A2.	Commitment/Advanced level		
A2.1	Does the company have the following in place • Code of Ethics[1] • Code of Conduct[2] • Written CG code • Officer responsible for compliance • Annual calendar of corporate events (Board meetings, Shareholders' meetings) • Terms of reference for key positions • Core processes documented • Does the (family owned) company have a succession plan	Yes ☐ No ☐ Yes ☐ No ☐ Yes ☐ No ☐ Yes ☐ No ☐ Yes ☐ No ☐ Yes ☐ No ☐ Yes ☐ No ☐ [If No, explain]	The existence of rules and codes means that the company has started formalising its practices. Codes protect the business by giving employees clear instructions of company values, how to represent the company and what is expected of them. Accepting the codes gives the Board a possibility to affect the operations of the company. Having the calendar of corporate events (preferably with list of items to be discussed and/or decided in the meetings) makes it possible to plan the operations in an effective way. Succession plan (both management as well as succession of ownership) is an important tool for ensuring business continuity, especially for family owned companies.
A2.2	What steps has the company taken to improve its governance standards or practices?	[Explain]	The governance standards and practices should be constantly improved. In order to do that it is important that the Board identifies and discusses the needs for improvement they have noticed in their work.
A2.3	Does the company have a Corporate Secretary?	Yes ☐ No ☐ [If No, explain]	In a small company it may be difficult to have a separate Corporate Secretary. Nevertheless, the duties of a corporate secretary should be delegated to a certain person in the organization.

[1] Code of Ethics governs decision-making by setting out the values and principles of the company, e.g. investing in "green" practices.
[2] Code of Conduct provides a more practical set of expectations for the employees by setting out specific behaviours that are required or prohibited, e.g. banning discrimination based on gender, age or race.

	Questions	Response	Explanation
B1	**Board and decision making /Basic level**		
B1.1	A. Are Board Meetings held according to a regular schedule? B. How many times per year did the Board meet (on average) during the last 2 years? C. Are the agenda and supporting material sent to board members well in advance? D. Who prepares the agenda for Board meetings?	Yes ☐ No ☐ [If No, explain] [Explain] Yes ☐ No ☐ [If No, explain] [Explain]	The president (chairman) of the Board of Directors, with the assistance of the corporate/board secretary (or who takes its function) and CEO, should propose an annual work plan of the Board. It should be based on the set of functions assigned to the Board, their complexity and recurrence. This will help determine the most reasonable number of meetings per year. Boards that meet too often and those that meet too sporadically can be falling into the error of co-administration, or, on the contrary, acting as formal directors, without a real content. The meeting frequency depends on the needs of the company that can vary based on the stage and size of the company. The call for the Board meeting must be accompanied by a clear agenda and provision of relevant and sufficient information to make the work of the Board more effective. It is important that the material is sent in advance in order for the Board member to have time to go through and understand the issues.
B1.2	Does the Board have the appropriate mix of skills?	[Complete the attached table at the end of this questionnaire]	Companies should count on a collective decision making body as its Board of Directors, one with a defined structure and a size corresponding to the governance needs of the company. There should be know-how on different areas of operations important for a specific company. The establishment of a board implies the need to deal with complex matters involving its organization, composition, size, creation of committees (when needed). It is not a common practice for SME's to have Board Committees. However, depending on the size and complexity of the company and the matters supervised by the Board, specific functions could be directly undertaken by Board´s committees, the most common ones being Auditing/Risk, Nominations & Remuneration and Corporate Governance. An audit committee is especially relevant in case of a larger Board or when complex accounting is used. Other committees should be considered in certain (complex) sectors.

	Questions	Response	Explanation
B1.3	Do the members of the Board understand what is their role and responsibilities?	Yes ☐ No ☐ [Explain]	The members of the Board must fully understand what are the Board's functions and their responsibilities as directors. The members of the Board should act in the best interests of the company and its shareholders. The Board's key functions include: (1) strategic guidance (approval of the strategy); (2) management oversight; (3) protection of shareholder rights.
B1.4	Does the Board discuss the long term strategy of the company and the major material risks?	Yes ☐ No ☐ [If Yes, explain]	The strategy is the backbone for all the decisions made by the Board. Formulation of strategy, particularly in small companies, usually originates with management, with the Board's role being to challenge management and ensure that the strategy is sensible. Then the board approves the strategy and the management executes it.
B1.5	How are the Board members chosen? Is the director nomination based on some set of eligibility requirements?	Please explain	There should be a set of requirements for a candidate to be eligible for the director position. The composition of the Board should be determined so that the company has the right people for different stages of its evolution. Criteria should include diversity (age, gender, skills, etc.).
B1.6	A. Are adequate minutes of Board and committee meetings prepared? B. By whom? C. How are decisions communicated to shareholders? D. Are the Board minutes distributed to Board members in a timely manner?	Yes ☐ No ☐ [If No, explain] [Explain] [Explain] Yes ☐ No ☐ [If No, explain]	The corporate/board secretary (or who takes its function) should faithfully record the proceedings of the sessions in the minutes' book, testify to the agreements of the social bodies and watch over the formal and material legality of the work of the Board. It is advisable that the company should establish precise channels to facilitate communication with the shareholders. The minutes should be distributed within two weeks after the Board meeting.

	Questions	Response	Explanation
B2	**Board and decision making/Advanced level**		
B2.1	A. Is there a mandatory rotation of Board members? B. Have there been changes in the composition of the Board in the last 3 years?	A. [Explain] B. [Explain]	Board of Directors regulations should consider establishing Board refreshment mechanisms, in order to ensure the right mix of know-how in different stages of the company's evolution. The other reason to rotate members can be to have fresh opinions in the Board and avoid too close relationships between the Board and the management.
B2.2	Do Board members receive an induction and regular training?	Yes ☐ No ☐ [If Yes, explain]	When the directors join the Board for the first time, they should receive an adequate introduction to the reality of the company, its complexities and key facets as well as receiving training on matters of interest for the exercise of the functions that will allow its members to improve their skills and capacities. Also training regarding the local legislation may be needed. This induction could be given by the company/board secretary (or who takes its function).
B2.3	Does the company have an established succession plan for the CEO and key positions?	Yes ☐ No ☐ [If Yes, explain]	It is especially important for the Board of Directors to design and supervise a succession plan, or at least a contingency plan for the president of the Board of Directors (if considered a key person), the CEO and other key persons. This is of critical importance, since an adequate foresight in this respect will minimize the impact of a reversal of the progress of the company when leadership changes.
B2.4	Does the Board discuss, on an annual basis, its performance as a team?	Yes ☐ No ☐ [If Yes, explain]	At least once a year, the Board should evaluate the effectiveness of its work as a collegiate body, the reasonability of its internal norms and the dedication and performance of its members, proposing, when necessary, any modifications of its organization and functioning which are regarded as relevant.

	Questions	Response	Explanation
C1	**Control Environment and Processes / Basic level**		
C1.1	Do the head of internal audit (in-house or outsourced) and the independent external auditors report directly to the Board (or the audit committee, if created)?	Yes ☐ No ☐ [If No, explain]	Both the head of internal audit and the independent external auditors should have independent lines of accountability to the Board (even though the head of internal audit still takes day-to-day instruction from the management).
C1.2	Are there aspects of the company's business that call for special attention to the control environment, including risk management (incl. IT security), internal controls, internal and external audit, and compliance (including environmental and other regulatory)?	Yes ☐ No ☐ [If Yes, explain]	Certain businesses (e.g., microfinance, extractive industries, pharma, power and utilities), because of their complexity, regulatory environment or other factors require more sophisticated monitoring and oversight of financial and operational management. Communications and information technology risk and security (IT security) is an increasingly important area within risk management.
C1.3	Does the company provide information to the investors about how the risks are identified and managed?	Yes ☐ No ☐ [If No, explain]	Risk management is an important part of managing a company. The key risks should be identified.
C1.4	Are the internal controls and auditing system periodically reviewed by the independent external auditors?	Yes ☐ No ☐ [If No, explain]	A company's internal control and auditing system (internal audit) should be subject to regular review and revision to ensure its continued adequacy and incorporation of best practices.
C1.5	A. Do the external auditors prepare an annual "management letter" with observations and suggestions regarding areas for improvements in the company's accounting and controls? B. Is such document shared with the Board (or the audit committee, if established)?	A. Yes ☐ No ☐ If No, explain] B. Yes ☐ No ☐ [If No, explain]	"Management letters" can provide the Board and management with invaluable insights into the adequacy of the company's control environment.
C1.6	Are there policies in place governing how the audit firm is selected?	Yes ☐ No ☐ [If No, explain]	A systematic procedure to select auditors helps towards selecting an audit firm which is adequately trained, suitably competent and independent.

	Questions	Response	Explanation
D1	**Transparency and Disclosure / Basic level**		
D1.1	Are adequate accounting and auditing systems in place?	Yes ☐ No ☐ [If No, explain]	Needed for basic financial transparency. An adequate accounting and auditing system should have written policies and procedures and support the internal controls environment. It should be subject to regular review and revision to ensure continued adequacy.
D1.2	Are semi-annual financial reports prepared by internal accounting? Who receives them?	Yes ☐ No ☐ [If No, explain]	Preparation of periodical financial reports allows for more frequent assessment of financial performance. Such reports are important to the board and top management, who should be kept abreast of the financial performance.
D1.3	A. Are (annual) financial statements audited by an external audit company? B. Are they approved by Annual Shareholder's Meeting?	A. Yes ☐ No ☐ [If No, Explain] B. Yes ☐ No ☐ [If No, explain]	External audit by a third party provides a level of assurance that financial statements are free from material misstatement. Shareholders are given the opportunity to scrutinize the financial statements.
D1.4	Are financial statements prepared and disseminated to the shareholders in a timely manner?	Yes ☐ No ☐ [If No, explain]	Delayed dissemination of financial statements may be indicative of disagreements between management and auditors.
D1.5	A. Are financial statements prepared in accordance with a widely accepted, internationally recognised system of accounting (IFRS or US GAAP)? B. For how many years have they been prepared as such? C. Was there a recent change in accounting policies?	A. Yes ☐ No ☐ [If No, explain] B. ____ C. Yes ☐ No ☐ [If Yes, explain]	IFRS and US GAAP are normally a requirement. In cases where exception is made, the company's financial statements must be prepared and presented in accordance with standards that reflect the true financial condition of the company and that are generally comparable with those applied to the rest of the portfolio. Such changes should be investigated to evaluate any material impact in terms of financial statements quality. Sometimes accounting policy changes are a sign the management is trying to conceal something.
D1.6	Does the company comply with all local (including non-financial) disclosure requirements including yearly remits/licenses?	Yes ☐ No ☐ [If No, explain]	Failure to comply with legislative requirements may lead to fines/penalties. It may also lead to the company losing its operating license.
D1.7	Are shareholders provided with information upon their request?	Yes ☐ No ☐ [If No, explain]	Providing such information upon request is a sign of a culture of transparency.

	Questions	Response	Explanation
D2	**Transparency and Disclosure / Advanced level**		
D2.1	Is the audit performed by an independent and respected firm?	Yes ☐ No ☐ [If No, explain]	Provides assurance from an independent and reputable source that the financial statements are free from material misstatement. Independence from owners/management improves objectivity of the audit.
D2.2	Did the audit of annual financial statements give a qualified opinion?	Yes ☐ No ☐ [If Yes, explain]	Audit Qualifications may highlight limitations to the scope of the audit or disagreement with management regarding adequacy, acceptability or application of accounting policies and should be investigated further.
D2.3	For how many years has the company had the same audit firm? Do accounting policies contain a periodic audit firm rotation requirement? Has there been a change in audit firm not brought about by company audit rotation requirement?	[Insert no of years] Yes ☐ No ☐ [If No, explain] Yes ☐ No ☐ [If Yes, explain]	Mandatory audit firm rotation can prevent overfamiliarity between auditors and management and risk losing the professional scepticism needed to remain objective. The fresh eyes of a new audit firm may be more likely to spot issues than an incumbent audit firm. Where there is limited scope to change audit firm (e.g., due to few alternatives), then change of audit partner instead may be appropriate. Unanticipated change in audit firm may be indicative of disagreement between management and audit firm over accounting policies and the reason should be enquired.
D2.4	Does the company provide a management discussion letter to shareholders and lenders, discussing forward looking issues (e.g., risks/opportunities, CSR practices) and a discussion letter analysing financial results and performance for the previous period?	Yes ☐ No ☐ [If Yes, explain] Yes ☐ No ☐ [If Yes, explain]	Such information can provide insight as to management's view on the future of the business and how the management identifies and manages the risks facing its business.
D2.5	Does the company disclose related party transactions (transactions with its shareholders/shareholder owned companies or its own subsidiaries/affiliates)?	Yes ☐ No ☐ [If No, explain]	Disclosure of related party transactions to management, Board and shareholders allows for such transactions to be evaluated as to their material impact on the company. There are certain IFRS requirements for disclosure of RPTs in annual financial statements, and further details could be received from management.
D2.6	Does the company have confidentiality policies in place concerning management and business information?	Yes ☐ No ☐ [If No, explain]	Failure to properly secure information can lead to misuse of information, fraud, loss of clients and costly lawsuits. These provisions are sometimes/often included in the company code of ethics.
D2.7	Is governance related information provided on the website?	Yes ☐ No ☐ [If No, Explain]	Depending on the detail provided -shows the company is transparent about its governance. Does it give names and details of key members of management? And contact details?

	Questions	Response	Explanation
E1	**Shareholders' role / Basic Level**		
E1.1	Is ultimate beneficial ownership disclosed?	Yes ☐ No ☐ [If No, explain]	Information about ultimate beneficial shareholding protects investors from integrity/reputational risk, and gives better understanding of who controls the entity. Ultimate beneficial shareowners should be disclosed to investors.
E1.2	Is there a shareholders agreement (SHA) in place?	Yes ☐ No ☐ [If No, explain]	SHA might establish rules, structures and rights which are different from the ones in the legislation/charter. Attention should be given to shareholder and Board reserved matters, exit (sale limitations) and information rights. Information sharing from nominee directors to shareholders shall be checked against local legislation (to avoid breach of fiduciary duty).
E1.3	Are there any arrangements (among the shareholders/family/directors/ lenders) that generate a disproportion between ultimate beneficial ownership and voting/control rights?	Yes ☐ No ☐ [If No, explain]	Such arrangements (including shadow directors, pyramids, and cross-holdings) can lead to abusive decisions and inability of minority to protect their rights. Ideally, assessors should have a chart with actual (de-facto) and de-jure voting arrangements. The lenders need to be included if they have conversion options or similar arrangements.
E1.4	Is it expected that one or more of the equity partners will also be lenders to the company?	Yes ☐ No ☐ [If No, explain]	Combined equity and debt investment may lead to a conflict of interests. If the answer is yes, clarify how the conflict of interest will be managed (will they have a board seat as shareholders? Will Chinese walls be established?)
E1.5	Are there any special rights of lenders?	Yes ☐ No ☐ [If No, explain]	Additional information rights to lenders can create information asymmetry; consent rights/board seat will lead to a conflict of interests and excessive control. Special rights should not limit/interfere with fundamental shareholders' rights or give additional control over the entity. If information is prepared for lenders, it should be available for shareholders as well.
E1.6	Who has the power to call for a shareholders meeting?	Explain	Limitations on calling shareholders meeting may lead to abuse of powers by majority owners/management. Minority shareholders, board and management should have a clear right to call an extraordinary meeting, statutory documents should not include provisions that allow controlling shareholders to block the meeting.
E1.7	Does the company convene/plan to convene shareholder meetings with agenda and explanatory material provided sufficiently in advance for adequate consideration by shareholders?	Yes ☐ No ☐ [If No, explain]	Regular meetings provide for an opportunity for shareholders to ask questions and exercise basic shareholders' rights. Annual meetings should be held at least once a year at the location/by means that allow all shareholders to participate. Board members should attend such meetings.

E1.8	What is the frequency of shareholder meetings?		Same as above.

	Questions	Response	Explanation
E2	**Shareholders' role / Advanced Level**		
E2.1	Are all shares of the same class treated equally?	Yes ☐ No ☐ [If No, explain]	Within the same class of shares, all shareholders should be treated equally.
E2.2	Are there any tag-along and/or drag along rights?	Yes ☐ No ☐ [If No, explain]	Special rights like tag-along and drag-along can be reflected in the legislation, company charter or SHA, and should be disclosed to investors. Such rights give additional protection to minority and majority shareholders respectively.
E2.3	Are Shareholders meetings well-organized and do they function effectively to allow for adequate shareholder participation in key governance decisions of the company?	Yes ☐ No ☐ [If No, explain]	The right to participate in shareholder meetings is a fundamental shareholder right. Company procedures should not have artificial barriers to participation of non-controlling and foreign shareholders. Use of electronic means should be encouraged.
E2.4	In the period between the shareholders meetings, are all shareholders/lenders kept abreast of company policy, strategy, and results?	Yes ☐ No ☐ [If No, explain]	A company should provide regular information to shareholders and other stakeholders. Information should be relevant, sufficient, reliable and timely.
E2.5	Does the company have a mechanism for dispute resolution?	Yes ☐ No ☐ [If No, explain]	Dispute mechanisms, set at early stages, prevent a company from conflicts and disruption of business. Dispute resolution clauses, referring to mediation, arbitration and other non-court procedures can be found in shareholders' agreements, charters and by-laws (policies).
E2.6	Does the company have a formal dividend policy? If not, how are dividends determined and paid?	Yes ☐ No ☐ [If No, explain]	The right to share in profits is one of the fundamental rights of shareholders. A policy, a charter or a SHA should provide for a transparent process of dividend declaration and payment. Decision should be ratified by the shareholders' meeting upon recommendation of the Board.

	Questions	Response	Explanation
E3	**Family Governance (if applicable)**		
E3.1	Has the family company developed key family governance policies like family employment, dividend policy and a family protocol (constitution)?	Yes ☐ No ☐ Explain	Family policies help bring discipline among family members, manage expectations, prevent potential conflicts, and ensure the continuity of the business. The company might also have a plan for professional development of family members (training / education).
E3.2	How are/ will the policies mentioned above be communicated to family members and others?	Yes ☐ No ☐ Explain	Communication to family members ensures their buy-in and adherence, and demonstrates that the family is committed to good family governance.
E3.3	How can family members convey their ideas to the promoters and company governing bodies?	Explain	Two-way communication between the family and the business is needed to provide for sustainability.
E3.4	Has the family succession plan been developed and adopted?	Yes ☐ No ☐ [If No, explain]	Ownership and management succession to next generations in most cases leads to conflicts and uncertainty, unless negotiated and regulated in advance. Succession planning at both levels helps manage expectations and make necessary education/career arrangements.

Attachment: Board of directors' composition

Name/gender (Mr., Ms.)	Age	Year of first appoint-ment	Tenure in the board	Type: ID, NED, ED, ND	Shareholder, family member, close friend? (FM/CF/SH)	Role in the Board (Ch/M)	Years of association [3] with the company/ group	Experience (industry)	Background	Committee membership (Name, Role – Ch/M)	Remuneration[4]

Abbreviations:

ED – Executive Director. Executive directors carry out executive functions in the company (they are usually employees of the company).
NED – Non-Executive Director. Non-executive directors are not employees of the company and normally do not have the same involvement in the company's day-to-day affairs as executive directors.
ID – Independent Director. Independent directors are non-executive directors that meet criteria of independence. Each jurisdiction might have its own definition of independence, but there are also internationally accepted (more stringent) definitions (see below IFC indicative definition).
ND – Nominee Director. Non-executive directors who are appointed under an arrangement or understanding with a major shareholder, a class of shareholders, a major creditor or some other group of people.
FM – Family Member
CF – Close Friend
SH – Shareholder
Ch – Chairperson
M – Member

[3] For the purpose of this document: a number of years the person stayed connected to the company or a group by being an employee, director, consultant, advisor etc.
[4] Please explain the structure of the remuneration. It could be: sitting fee, monthly payment, annual payment, commission, other.

Indicative Independent Director Definition:

"**Independent Director**" means a director who is a person who:

1. has not been employed by the Company or its Related Parties in the past five years;
2. is not, and is not affiliated with a company that is an advisor or consultant to the Company or its Related Parties;
3. is not affiliated with a significant customer or supplier of the Company or its Related Parties;
4. has no personal service contracts with the Company, its Related Parties, or its senior management;
5. is not affiliated with a non-profit organization that receives significant funding from the Company or its Related Parties;
6. is not employed as an executive of another company where any of the Company's executives serve on that company's board of directors;
7. is not a member of the immediate family of an individual who is, or has been during the past five years, employed by the Company or its Related Parties as an executive officer;
8. is not, nor in the past five years has been, affiliated with or employed by a present or former auditor of the Company or of a Related Party; or
9. is not a controlling person of the Company (or member of a group of individuals and/or entities that collectively exercise effective control over the Company) or such person’s brother, sister, parent, grandparent, child, cousin, aunt, uncle, nephew or niece or a spouse, widow, in-law, heir, legatee and successor of any of the foregoing (or any trust or similar arrangement of which any such persons or a combination thereof are the sole beneficiaries) or the executor, administrator or personal representative of any Person described in this sub-paragraph who is deceased or legally incompetent, and for the purposes of this definition, a person shall be deemed to be "affiliated" with a party if such person (i) has a direct or indirect ownership interest in; or (ii) is employed by such party; “Related Party” shall mean, with respect to the Company, any person or entity that controls, is controlled by or is under common control with the Company.